

Climbing past 3%

CSR spend surged
100 bps above
mandate in fiscal 2021

Stairs

Stairs, a montage of rural ones, are the motif of this edition of the **CRISIL CSR Yearbook**.

Why?

Because they bridge vertical distances, from lower to higher.

An apt metaphor to underline CRISIL Foundation's societal mission.

Our programmes endeavour to lift people in hinterland towards better lives by empowering them.

By offering them stairways.

To heaven, as it were — and as the Led Zeppelin ballad goes.

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Contents

Executive summary 4

For the first time, CSR spend of eligible listed companies topped the 3% mark in fiscal 2021 6

Other factoids 10

Maharashtra remained the table topper 16





Executive summary

Adversity is the true test of character, goes the adage.

Well, India Inc sure showed character during the Covid-19 pandemic, one of the most testing hardships in human history.

Spending on corporate social responsibility (CSR) by eligible listed companies in fiscal 2021, which was most impacted by the pandemic, exceeded 3% of their average profit in the preceding three years — over 100 basis points (bps) more than the 2% mandated under law.

Indeed, the value of CSR spend rose on-year even as the number of eligible companies fell a tad.

With this, CSR spend has increased in value terms in every fiscal since it was made mandatory back in fiscal 2014. And it has been at or above the 2% mark for six years in a row.

Clearly, despite the massive blow to business from lockdowns and related restrictions that disrupted supply chains and business for the better part of the year, India Inc prioritised altruistic action.

From scaling up employee welfare to living up to the social contract by feeding millions caught off-guard by the sudden turn of events, supporting the healthcare infrastructure with personal protective equipment for the frontline healthcare workers, equipment such as ventilators, oxygen concentrators, cylinders, and testing kits, and contributing to relief funds, corporates went out of the way.

Not surprisingly, Covid-19 took the lion's share of the CSR pie, with around half of the companies analysed specifically reporting their spend under this head.

Maharashtra, which recorded the highest caseload in the country, also led the table with a little under half of the total amount spent on pandemic-related causes.

Among the sectors, energy contributed the most to the Covid-19 cause.

Spending on other key heads, such as education and skill development and healthcare continued, though their shares were lower on-year as funds were diverted to the more pressing cause.

Contribution of the private sector continued to improve.

Today, as we recover from the blow, the fact that CSR spend exceeded 3% — that too without factoring spending by over half the eligible set that did not report such spend specifically — stands testimony to the resilience of India Inc and underlines how businesses can be a force to reckon with in challenging times.

This gives reason to believe the pandemic has reshaped the landscape of CSR spending for good, creating a legacy as it were for a more compassionate, resilient, and sustainable future.

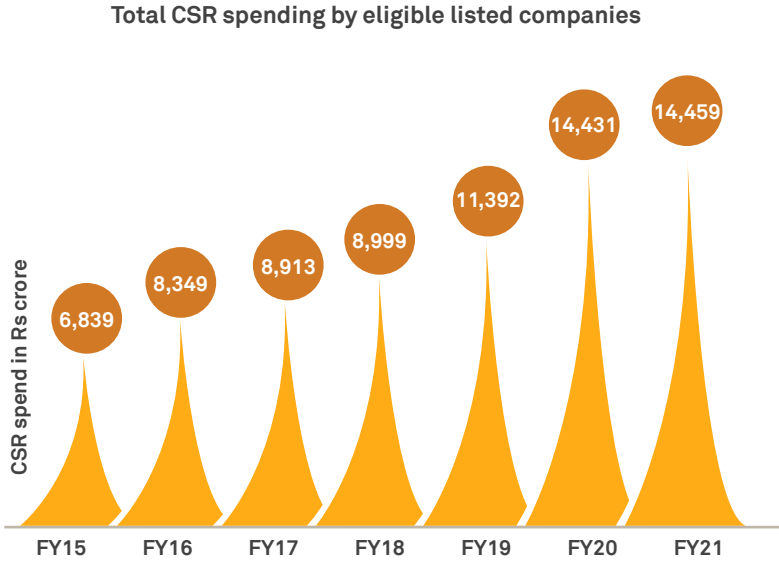


For the first time,
CSR spend of
eligible listed
companies topped
the 3% mark in
fiscal 2021

The uptrend in CSR spending remained unbroken

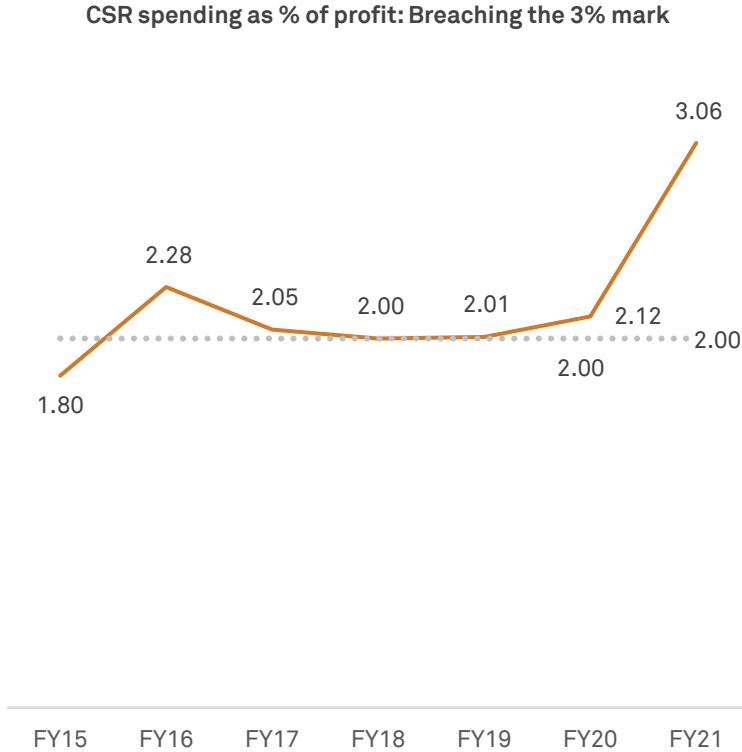
In absolute terms, CSR spend by the 1,308 companies in fiscal 2021 was Rs 14,458.41 crore, marking the seventh straight year of increase.

The spending, however, was up just 0.2% on-year, mainly because of two reasons: one, a high base, as companies had also spent on pandemic relief in fiscal 2020 on top of their ongoing commitments; and two, pandemic-induced disruptions eroded corporate profits in the preceding fiscal.



CSR spending stayed above 2% for sixth year in a row

On aggregate, eligible listed companies have consistently exceeded their CSR mandate (of 2%) for six consecutive fiscals.



Covid-19 took a lion's share of the spend...

The pandemic catalysed a profound shift in corporate priorities. Despite unprecedented business disruptions, India Inc reallocated its resources and focused on initiatives aimed at addressing urgent social and healthcare requirements, supporting frontline workers, and mitigating the impact of the pandemic on the most vulnerable populations.

Of the 1,308 companies, nearly half (648) had directed their CSR spending towards Covid-19-related causes by the end of the fiscal. These 648 companies together spent Rs 3,965 crore, or 27%, on the pandemic alone, making it the largest area in terms of corporate spending for the fiscal.

...trumping all key CSR areas

All that spending on pandemic relief predictably ate into allocation to other CSR areas.

Education and skill development, which had topped the table with an allocation of over 32% the previous fiscal, got only 26% of the spend this time, while healthcare and sanitation got 18%.

Together, these three sectors received 70% of the total CSR spending.

Government steered spending on Covid-19

Timely notifications and clarifications issued by the government set the stage for growth in CSR spending, with focus on the pandemic.

On March 23, 2020*, the Ministry of Corporate Affairs (MCA), notified spending on Covid-19 as an eligible CSR activity (https://www.mca.gov.in/Ministry/pdf/Covid_23032020.pdf).

A subsequent notification on January 13, 2021, allowed spending of CSR funds for awareness/ public outreach campaigns on Covid-19 vaccination (https://www.mca.gov.in/Ministry/pdf/CSR2021_13012021.pdf)

Subsequent notifications covered yet other areas:

Setting up makeshift hospitals and temporary Covid-19 care facilities.

(https://www.mca.gov.in/Ministry/pdf/GeneralCircularNo5_22042021.pdf dated April 22, 2021)

Creating healthcare infrastructure for Covid-19 care, establishment of medical oxygen generation, manufacturing and supply of oxygen concentrators, ventilators, cylinders and other medical equipment for countering Covid-19.

(https://www.mca.gov.in/Ministry/pdf/GeneralCircularNo9_05052021.pdf dated May 5, 2021)

Covid-19 vaccination for persons other than the employees and their families

(<https://www.mca.gov.in/bin/dmsgetdocument?mds=LYGLgEX5HiF2cj%252FEWlnVfA%253D%253D&type=open> dated July 30, 2021)

The response was effusive

Bulk of the pandemic-related contributions went into the PM Cares Fund, followed by spending on items such as masks, sanitisers, food rations, and supplies.



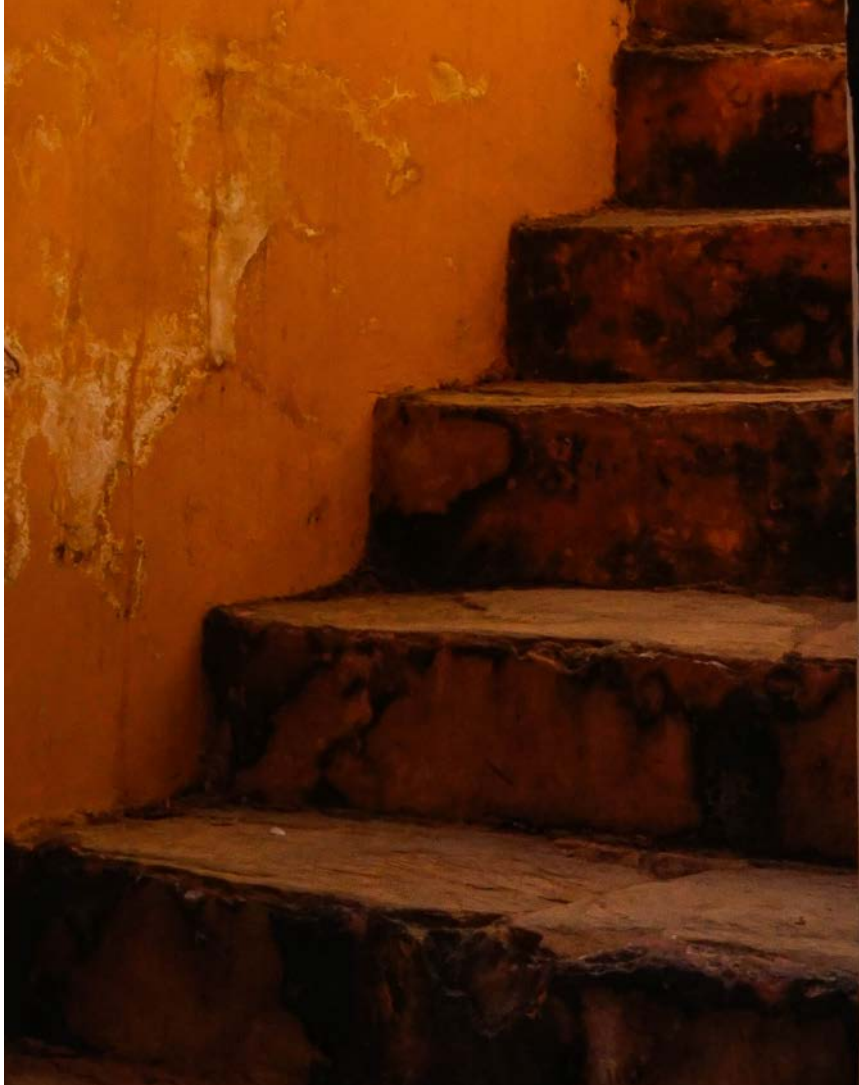
The highest contribution was from Maharashtra, of about 46% of the total amount spent on Covid-19-related causes.

About 7.4% of the companies (48 out of the 648 companies that spent on Covid-19 causes) allocated 2% or more of their average net profit towards Covid-19-related initiatives.

The energy sector put in a stronger performance in contributing to Covid-19-related causes compared with other sectors.

Large companies, with net sales of Rs 10,000 crore and above, accounted for 72% of the total Covid-19-related spending.

Overall spending on healthcare increased by Rs 1,913.1 crore compared with the previous year, with Covid-19 accounting for a whopping 96% of the incremental spending in fiscal 2021. However, excluding Covid-19, healthcare spending was Rs 236.78 crore lower than in the previous year.



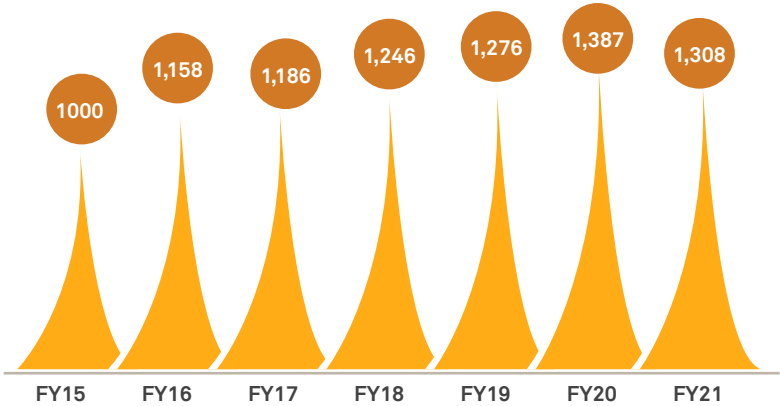


Other
factoids

Number of companies reporting CSR spend dipped marginally...

The number of companies reporting on CSR spending declined marginally, while the total CSR spending by listed companies witnessed a marginal increase in fiscal 2021.

Number of companies reporting CSR spend



...but more companies went beyond their brief

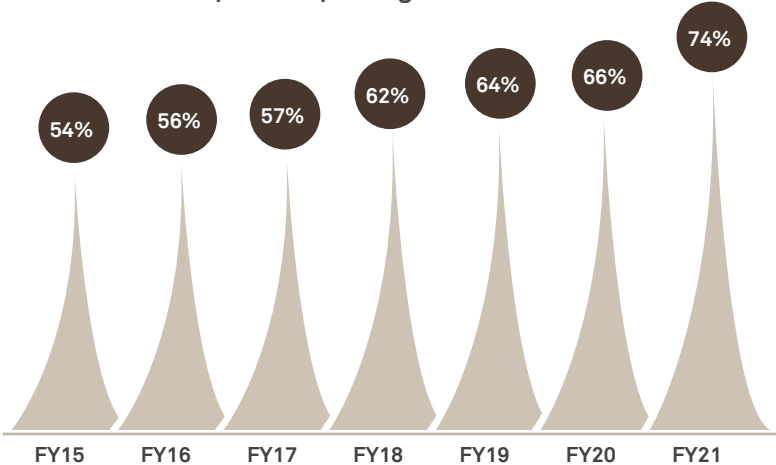
Of the 1,308 companies, 149, or 11%, spent 3% or more of their average profit of the preceding three years on CSR in fiscal 2021 — a slight uptick from 140 companies, or 10%, the previous fiscal.

The number of companies spending 2% or more was 972, or 74%, of the total, way above 66% the previous fiscal.

A significant 76% of the cumulative CSR spending came from companies that spent above 2% of their average profit on CSR.

At the other end, 340 companies, or 26%, did not meet the mandate in fiscal 2021. Of these, 183 companies spent less than 1%.

Corporates spending >2% on the rise



Most companies met the mark across sales buckets

Across sales buckets, more than half of the companies spent 2% or more on CSR in fiscal 2021.

The number of companies with net sales of more than Rs 1,000 crore witnessed a very marginal uptick to 568 from 567 in fiscal 2020. Of these, as much as 59% spent 2% or more of their profits — the same as in fiscal 2020.

The number of companies with net sales of Rs 10,000 crore increased slightly to 101 from 92 the previous fiscal. However, 56% of these spent 2% or more of their average net profits on CSR, down from 61% the previous fiscal.

Of the companies generating less than Rs 1,000 crore of net sales each, 55% spent 2% or more — marginally up from 54% the previous fiscal.

At the bottom of the pyramid, 52% of the companies with sales below Rs 99 crore spent 2% or more on CSR, less than 61% the previous fiscal.

CSR spending by net sales

Sales range (Rs crore)	Fiscal 2021 (1,308 companies)			Fiscal 2020 (1,387 companies)		
	No. of companies	Amount spent (Rs crore)	Proportion that spent 2% or more	No. of companies	Amount spent (Rs crore)	Proportion that spent 2% or more
99 and below	183	562	52%	200	639	61%
100-499	378	302	60%	413	432	53%
500-999	179	311	61%	207	260	47%
1,000-9,999	467	3,416	62%	475	3,282	57%
10,000 +	101	9,868	56%	92	9,818	61%

Spending on most key heads declined on-year

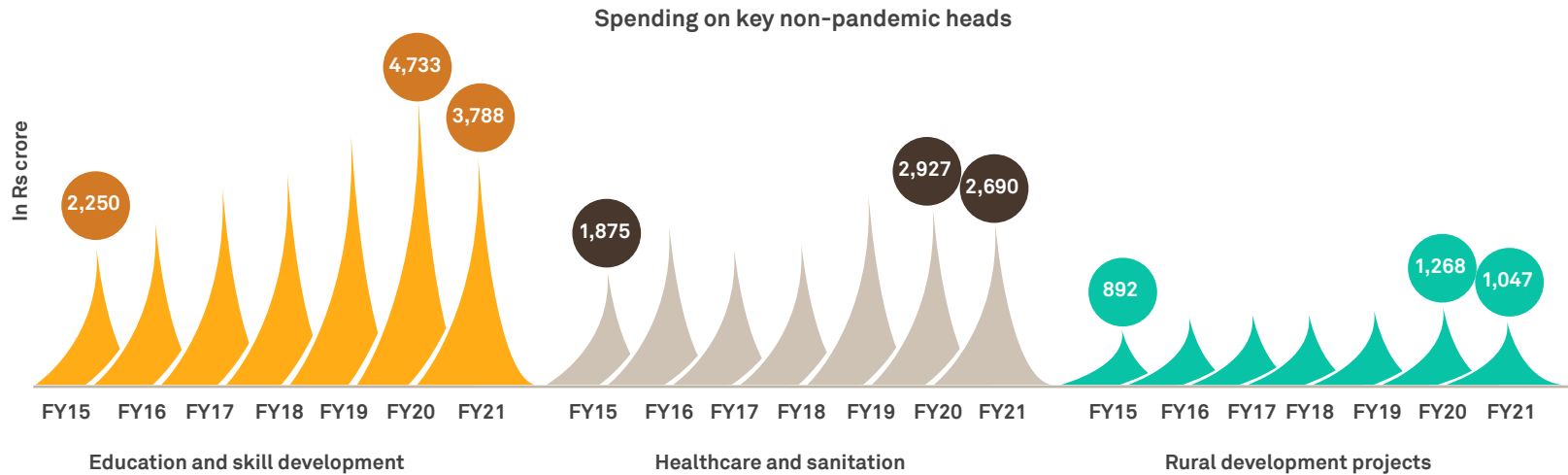
Of the total CSR spend in fiscal 2021, the share of pandemic-related expenditure was the highest at 27%, up from 13% the previous fiscal.

Education and skill development was relegated to the second position with 26% of the kitty, though the number of companies spending on education and skill development was the highest, at 992.

Healthcare and sanitation came in third, with 19% of the spend, with 872 companies contributing.

Next in the pecking order was rural development, with 285 companies providing funds for the sector compared with 295 a year ago and its share of CSR spend also down to 7% from 9% in fiscal 2020.

Among other areas, national heritage promotion, technology development, relief funds and slum area development saw on-year increase in CSR spending, though the share of total spend declined across key heads as Covid-19 hogged centre stage.



Private sector to the fore

CSR spending during fiscal 2021 was spurred by the private sector (including foreign companies).

Total spending on CSR by the private sector increased to Rs 10,212 crore from Rs 9,781 crore in fiscal 2020, though the number of companies declined to 1,211 from 1,287.

Majority of companies, public and private (including foreign) alike, continued to focus on spending more than the stipulated 2% of profits on CSR.

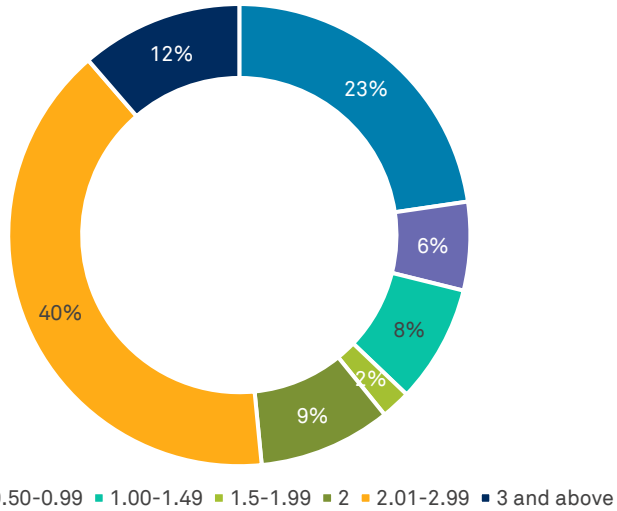
Together, 97 public sector companies spent Rs 4,247 crore, while 1,211 private companies (including foreign) spent Rs 10,212 crore.

The public sector accounted for ~7% of the number of companies but accounted for ~29% of the total spend. Of these, 65% spent more than 2% of their profit, as in fiscal 2020.

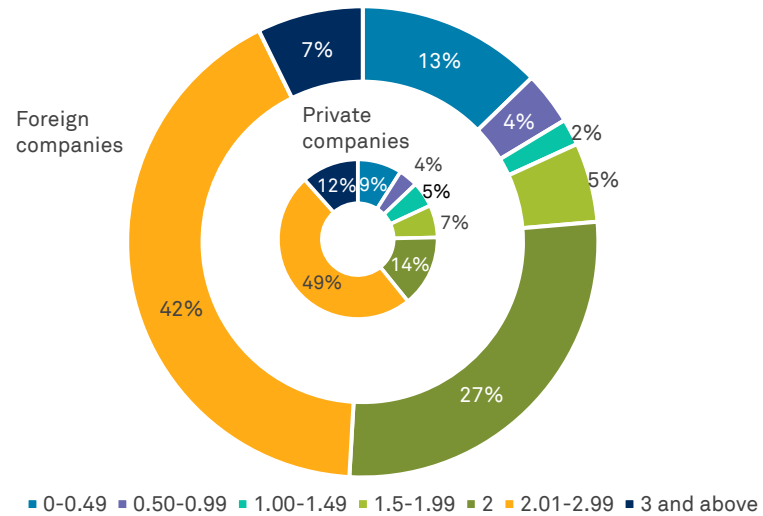
Private companies were ~93% of the sample but accounted for only ~71% of the spend. Also, 75% of these companies spent more than 2% of their profit on CSR activities.

Company type	FY21		FY20	
	Number of companies (#)	CSR spend (Rs crore)	Number of companies (#)	CSR spend (Rs crore)
Private sector companies (including foreign companies)	1,211	10,212	1,287	9,781
Public sector companies	97	4,247	100	4,650
Total	1,308	14,459	1,387	14,431

CSR spend by public sector companies
(100% = 97 companies)



CSR spend by private sector (including foreign) companies
(100% = 1,211 companies)



Manufacturing, financial services, energy and IT led spending

Of the 1308 companies, 73% were from manufacturing, financial services, and healthcare, but their CSR expenditure was just about 48% of the total.

The manufacturing sector accounted for more than half of these companies (730, or 56% of 1,308) but only 24% of the spend.

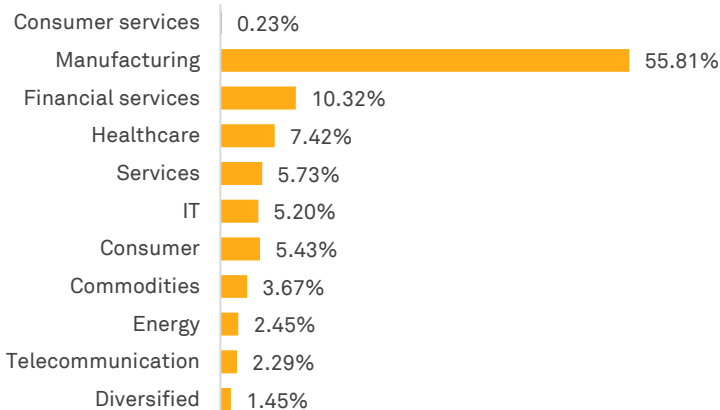
The financial sector, on its part, accounted for 10% of the companies but ~20% of the spend — its contribution up 3

percentage points on-year. The energy sector continued to punch way above its weight, with just 3% of the company pool contributing nearly 17% of the total spend.

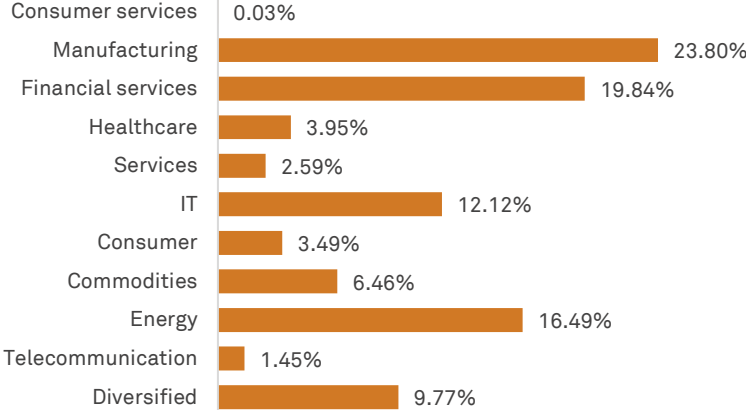
The IT sector was a generous contributor, too — just 5% of the companies but ~12% of the total spend.

However, telecom continued to be a laggard, with 2% of the pool, the least share in total CSR spend (1.4%), and the lowest average spend (1.9% of profit).

Total number of companies by sector
(100%=1,308 companies)

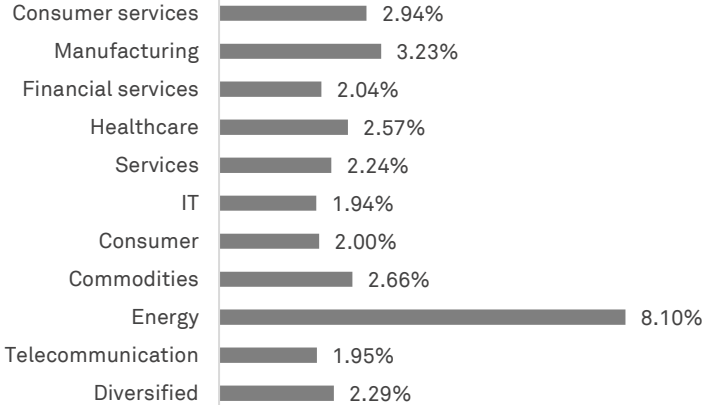


Total amount spent by sector
(100%=Rs 14,459 crore)



Average CSR spend as a % of profit

Average CSR spend as % of profit
(Average=2.93%)





Maharashtra
remained the
table topper

The top 10 states (based on the number of companies with registered offices) accounted for 93% of the total CSR spend in fiscal 2021, similar to the previous two fiscals.

In terms of proportion of companies by state, too, there was no major change from the previous fiscal.

Of the top 10, Rajasthan, West Bengal, Gujarat, and Haryana witnessed the steepest increase in the amount spent on CSR. Rajasthan saw the sharpest growth — a 24% increase from Rs 246 crore the previous fiscal to Rs 340 crore. West Bengal and Gujarat followed with 17% and 16%, respectively.





Around 76% of companies across states spent 2% or more of their average profits on CSR. Rajasthan surpassed all, with 93% companies in the state spending 2% or more on CSR (compared with 68% in the previous fiscal).





Maharashtra continued to hog the lion's share of the CSR pie at 45%, down a touch from 46% in fiscal 2020, with the number of companies also down to 454 from 476.

The National Capital Territory (NCT) of Delhi was a distant second, grabbing 15% of the CSR pie, down from 19% the previous fiscal. Like Maharashtra, the number of companies spending on CSR decreased too — 120 as against 161 the previous fiscal.

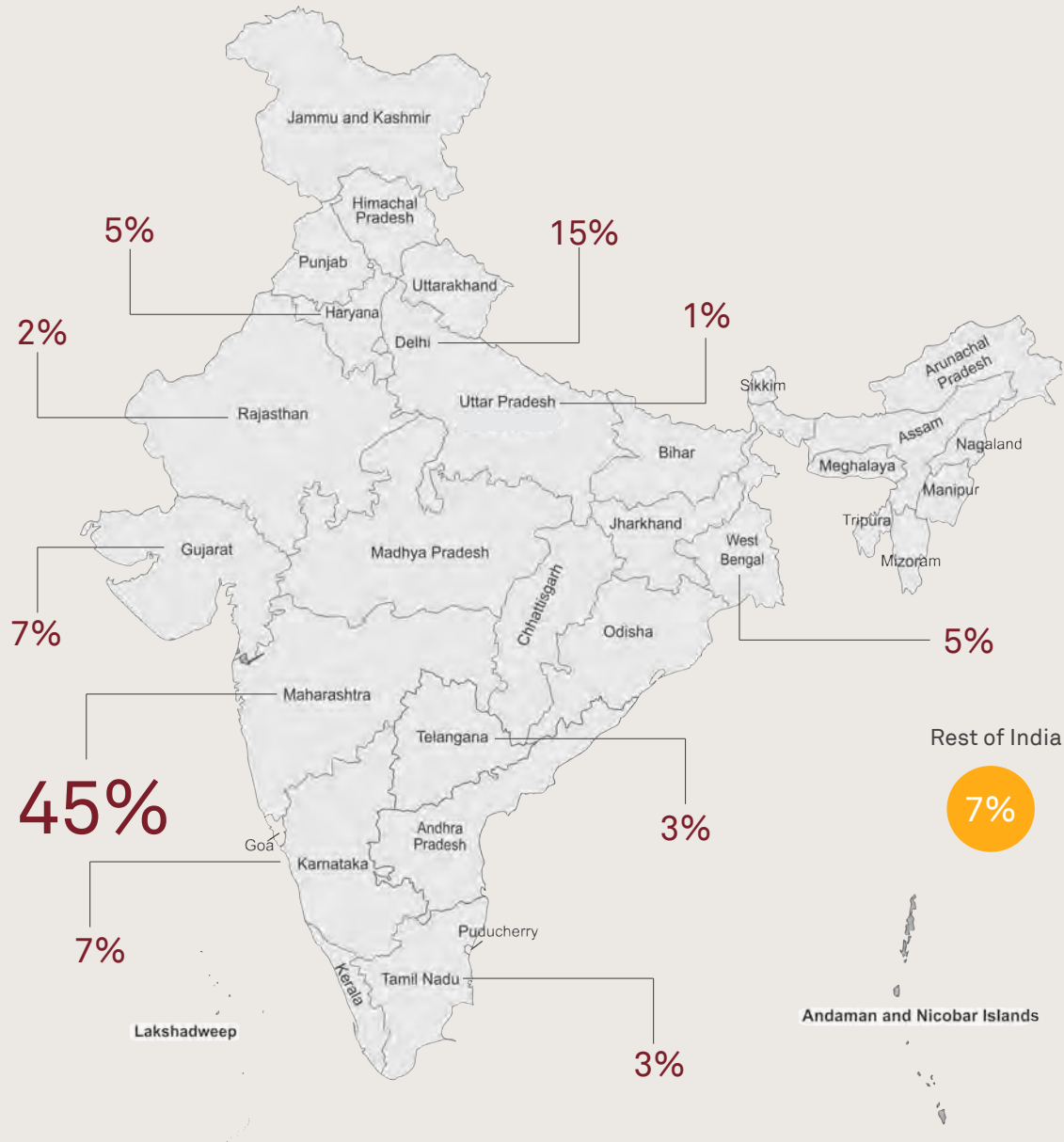


Karnataka, meanwhile, saw a decrease in the number of companies that spent 2% or more on CSR

FY21				FY20				
								
454	6,504	28%	72%	Maharashtra	476	6,710	35%	65%
120	2,184	25%	75%	NCT of Delhi	161	2,710	28%	72%
135	995	18%	82%	Gujarat	134	722	34%	66%
102	497	25%	75%	Tamil Nadu	120	568	29%	71%
89	727	19%	81%	West Bengal	95	733	36%	64%
67	1000	31%	69%	Karnataka	70	1049	27%	73%
66	435	29%	71%	Telangana	69	462	30%	70%
40	340	8%	93%	Rajasthan	41	246	32%	68%
34	75	32%	71%	Uttar Pradesh	38	66	37%	63%
25	666	28%	76%	Haryana	31	594	39%	61%
176	1,036	29%	70%	Rest of India	152	571	39%	61%
1,308	14,459	25%	76%	Total	1,387	14,431	33%	67%

 Number of companies
 Total amount spent (Rs crore)
 Less than 2% on CSR
 2% or more on CSR

State-wise spending on CSR



Companies using implementing agencies increase

The use of implementing agencies to execute CSR projects rose during the fiscal, with 1,273 of the 1,308 companies reporting in the affirmative, as compared to 1,082 companies during the last fiscal. However, at 77%, the proportion of such companies was up slightly, from 76% the previous fiscal.

In addition, 77% companies using implementing agencies spent 2% or more of profit on CSR, up from 69% the previous fiscal.

Of the companies with net sales of Rs 1,000 crore and above, 81% used implementing agencies. In the case of companies with more than Rs 10,000 crore, the figure stood at 87%.

But, in the lower end of the sales bracket, fewer companies engaged implementing agencies for their CSR.

Net sales (Rs crore)	Number of companies	Implementing agencies leveraged
10,000 and above	97	87%
1,000-9,999	462	81%
500-999	174	75%
100-499	368	74%
99 and below	172	69%

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

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CRISIL Foundation

CRISIL Foundation, a public charitable trust, was set up in March 2013 as CRISIL's corporate social responsibility (CSR) arm. Our mission is to empower socially and economically disadvantaged communities within and beyond our areas of operations.

In Assam and Rajasthan, we have established a robust scalable intervention through our flagship programme Mein Pragati – strengthening the financial capabilities of over 1.5 million community members, mostly rural women; as well as an ecosystem that sustains behaviour change through a well-trained community cadre called sakhis – which is active, self-sustainable, and delivering outcomes. Under the Reserve Bank of India (RBI) MoneyWise Centre for Financial Literacy (CFL) Project, CRISIL Foundation has set up 615 CFLs across 14 States and 4 Union Territories till date, in partnership with 11 PSU banks and NABARD.

CRISIL RE, CRISIL's environment conservation programme under the aegis of the CRISIL CSR Policy, is focused on tree plantation and several other initiatives. The programme includes centrally driven and employee-led projects, and strives to engage employees and their families, friends, and relatives in conservation activities.

The Foundation's efforts have also been recognised by the Government of India under the prestigious National Corporate Social Responsibility (CSR) Award, 2020 in the category 'Corporate Awards for Excellence in CSR' for financial capability building and environment conservation. This is the second time in a row that CRISIL has received the accolade, after winning the 'CSR in Challenging Circumstances, North-East' award for its flagship programme Mein Pragati in Assam, which was conferred by the Hon'ble President of India in 2019.

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